

Whither Foreign Aid

**ACVFA Quarterly Meeting
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ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID
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WELCOME and OPENING REMARKS, Carol Lancaster, ACVFA Vice-Chair

ACVFA Vice-Chair opened the meeting by explaining why "Whither Foreign Aid?" is such an important topic. The foreign aid community faces a triple transition – first, in the terms of the immediate future of the Agency for International Development (USAID), which is facing a period of transition due to both the proposed change in its institutional relationship to the Department of State, and to the impending change in its leadership. Second, we are beginning a period of election campaigning for a new administration, which will certainly want to take a look at foreign aid. Third, and more significantly, the globe is undergoing a fundamental transition brought about by changes in the international political and economic system. These changes call for a rethinking of our role in an evolving world, as well as the role of foreign aid and its relationship to foreign policy in the coming century. The purpose of this session is to stimulate thought on everyone's part about the future of foreign aid in five to ten years.

Ms. Lancaster reviewed the agenda for the session and introduced the first three speakers: Ambassador L.. Craig Johnstone, formerly with the Department of State, and currently Senior Vice President, International Economic and National Security Affairs, U.S. Chamber of Commerce, Dr. Diana Ohlbaum, Minority Professional Staff Member, Subcommittee on International Economic Policy, Senate Foreign Relations Committee, and Dr. David Dollar, Research Manager, Development Research Group, The World Bank, and author of the Bank's recent book Assessing Aid. Ms. Lancaster said that the speakers had been invited to present their perspectives on future of foreign aid, in their personal capacity, rather than as representatives of any organizations.

Discussion moderator, ACVFA Member Jane Pratt, introduced the second set of speakers: Thomas Fox, Assistant Administrator, Bureau for Policy and Program Coordination, USAID, and Father Bryan J. Hehir, Professor of the Practice in Religion and Society, Harvard University Divinity School and Weatherhead Center for International Affairs, and Counselor to Catholic Relief Services.

Plenary Session: "Whither Foreign Aid? Visions of Foreign Assistance in the New Millennium"

Ms. Pratt opened the discussion with following two general questions:

1. Given the public's lack of interest in foreign aid, and the perception that foreign aid reaches into the pockets of Americans without benefiting them, how can we change the public's attitude toward foreign aid?
2. As we look at developments taking place in developing countries, such as innovations in governance and new technologies, can we say that the learning process is a one-way street or a two-way street? Are there lessons that in the true American tradition, we'd be willing to try here?

Ms. Pratt also asked the panelists to address three specific questions, as follows:

1. How will we deal with the marginalized populations outside the market economy in the context of globalization?
2. How can we protect the public good, such as the environment, cultural traditions, quality of governance, etc., in the context of globalization and the push toward private sector growth?
3. How can we provide for future generations? How do we keep from robbing the future to pay for the present?

Ambassador L. Craig Johnstone

Ambassador Johnstone stated that his presentation would address two questions:

1. Is foreign aid relevant today?
2. Does foreign aid have a future?

"These questions are not the same, although they should be," he stated. Recent meetings with chambers of commerce, from the United States as well as from other parts of the world, have convinced Ambassador

Johnstone that business people understand globalization and the interrelationship between the United States and other countries of the world. In fact, business people are way out in front of the rest of the American people. What they do not understand, he continued, is foreign aid and the foreign aid community.

The concerns of U.S. and international business people have many concerns include: governmental transparency, political and economic instability, corruption, education, rule of law, crime, the environment, labor standards, banking reform, and governmental and institutional reform. Foreign aid is conspicuously absent from the list and is not seen as part of the solution. Business people do not think that foreign aid can address any of these issues, said Ambassador Johnstone. Nor do business people think that these issues can be linked into a single package, because they are too monumental.

Yet, foreign aid is addressing all of the issues that concern business, and the global context has made foreign aid more relevant than ever. What is in dispute is whether the foreign aid community will fill the role, and if not, who will. The difficulty lies, according to Ambassador Johnstone, in the fact that neither the American people, nor Congress, nor the business community, understand foreign assistance. Another difficulty is that the budget for foreign assistance is declining at a time when the issues that it addresses are more and more relevant. The American people are not opposed to foreign aid, especially for humanitarian purposes, but they are uninformed.

Ambassador Johnstone, suggested several ways to address the problem:

1. We must see ourselves as the problem, because we have not addressed the concerns of the American people. We must understand our customers and have dialogue with them. The first rule in business is "know your customer". Foreign aid is designed to serve the interests of American citizens. "Yet, I find confusion in this community," he said. People go out and do good things, but we do not address what is in the interest of the American people. NGOs do not have same customers that USAID has, hence their objectives are not necessarily the same, although there is some overlap. "However, people using taxpayers' money, must serve them," he added.
2. Foreign policy is not different from foreign aid, yet the distinction continues to be made. Part of problem is there are two different agencies within the U.S. government that define their missions differently. When used effectively, foreign aid can be a tool to achieve foreign policy objectives. USAID and State should have common objectives, which USAID should take the lead on defining, since the fundamental issues of concern over the next decade are directly related to USAID's mandate. Whatever new relationship is worked out between State and USAID, better integration would be helpful, especially in humanitarian response, since both agencies need each other.
3. We also need a commonality of purpose, and integrated planning and objectives. When we decide it is in the interests of the American people to address an issue, we need to be able to tell them how we, the entire donor community, are going to address it. We need to make the objectives of foreign aid understandable to the American people, and avoid jargon, such as "sustainable development". We also need to inform them that we are working in concert with other international organizations. This is not difficult to sell if we have measurable objectives and a clear role/task for the U.S. contribution.
4. We need more and better communication with the American people. The business community, NGOs and the development community must work together on this. If we understand who our customers are, then the programs become clearer, we will gain their support, and we will do a better job.

Thus the final issue, concluded Ambassador Johnstone, is this: "Communication! Communication! Communication!"

Dr. Diana Ohlbaum

Dr. Ohlbaum explained that foreign aid is a whole array of economic and military aid programs in the foreign aid bill. This meeting is focused on development assistance, which is only a small portion of the overall foreign aid budget - about \$1.8 billion of a \$14 billion request.

She began by speaking about the purpose of foreign assistance and its relationship to foreign policy. The purposes of foreign aid have changed, she said. Economic self-interest has anti-communism as the driving goal. There has been a paradigm shift away from concern for world's poor, toward U.S. economic interests. Current U.S. policy towards Russia and China is an example of this.

It seems that trade and economic growth have begun to replace traditional development assistance. This has affected which countries receive aid, and the populations that we target in those countries. The shift is affirm the "basket case" countries, as well as the "basket case" populations. Millions of people around the world, who live in countries that are bad partners, are at risk because of this policy shift. But this is where NGOs can help. Although we shouldn't provide assistance to these governments, we need NGOs to work there. Dr. Ohlbaum agreed that foreign aid should serve U.S. interests, but should look at long term, rather than short term, goals, including peace, prosperity, and democracy.

Dr. Ohlbaum said that the United States must move in the direction of greater international cooperation and learning from others. A ray of hope is USAID's Lessons Without Borders Program, which highlights that fact that we learn from the experiences of other countries and apply them here.

Finally, the question of declining resources will affect the direction of foreign aid in the future. At a time of unprecedented economic growth in the United States, we plan to cut the foreign aid budget by historic proportions. We can talk about how to make the best use of limited resources to eliminate poverty through institutional development, capacity building and good policies, but if cuts of 15 percent or more occur, we may have very little program left to speak of.

As an example, Dr. Ohlbaum described something she had learned on a trip to Ethiopia. She had visited a community in which the only staple in the diet was a food called the "false banana". Because of this, the population suffered from severe nutritional deficiencies and serious public health problems. USAID had started a model farm and planted vegetables appropriate to local agricultural conditions. Initially, the people, having never seen these types of vegetables, did not want to use land for them. Eventually, however, some farmers tried cultivating them, and found that their children liked them. And over time, most farmers agreed to use some of their land to cultivate these vegetables. Since they had not yet done so at the time of her visit, she asked them why not. They informed her that it was because they could not afford to buy the seeds. "My point," said Dr. Ohlbaum, "is that you can build the readiness for change, but you need material resources for it to work."

Dr. David Dollar

Dr. Dollar, reminded the audience how simple foreign aid used to be - it was to promote economic growth and to reduce poverty in the developing world. We have learned two things he said. First, that it is not easy to do and second, that we are not very good at it. Over the past twenty years we have also increased our objectives to include many objectives in many areas, such as governance, human rights, and environment to name a few. While these are important poverty reduction should be kept at the center as our primary objective. Half of the world's population is poor - living on less than two dollars a day. In addition, the other objectives relate to poverty reduction. For example, private sector development is a means to poverty reduction. And poverty reduction is a key tool for international security.

Poverty reduction as the central objective is also more effective in relation to marketing to the customer, the American taxpayer. People can understand the relationship between poverty reduction and many other problems that are of concern to them, such as the environment and civil wars.

While we haven't achieved development completely, the development community has learned many lessons and has produced the evidence that can help it do a better job. World Bank research and research worldwide have produced six important results that point in the direction of making foreign aid more effective in promoting growth and reducing poverty. These are:

1. There is growing evidence that good government policies are important for successful development. The good news is that lots of poor countries have made significant progress through good policies related to the rule of law, macroeconomics, open trade and strong institutions. Some of these are India, Ethiopia, and Uganda.
2. In countries with good policies financial assistance money is effective, while in countries with poor policies, it is not. Some examples of these are Zambia, Nigeria and Kenya.
3. Nevertheless, the international community (apart from USAID and the World Bank) continues to give more money to countries with poor policies, than to those with good policies. Zambia is an example of this. Yet, focusing financial assistance on countries with poor policies, not only wastes resources, but also undermines popular support for foreign aid.
4. There are reasons why donors continue to provide aid to countries with poor policies. Maybe they are convinced that aid will lead to reform. Yet, it has been learned from years of experience, that providing aid rarely leads to policy reform. Indeed, the countries that have undertaken reform, have done so for reasons unrelated to foreign aid; while countries with poor policies have not reformed. Uganda and Tanzania are examples. If countries do begin to reform, targeted technical assistance can help.
5. Another reason donors continue to provide financial assistance to countries with poor policies is that they are convinced that they are providing aid for good purposes, such as schools and water systems for poor populations. The problem is that financial assistance is fungible. Money that is provided for "good purposes", frees up government resources for other things, perhaps even "bad purposes" such as a military build up. Thus donors should relate their financial aid to the overall assistance being provided to the entire government.
6. Foreign assistance can help with problem sectors. As Jane Pratt pointed out, many creative initiatives are taking place around the world. Donors can support these efforts and learn from them. In a recent survey carried out in the UK, 86% of those polled responded that they would be willing to give money to reduce poverty in the developing world, but 90% responded that they would not support increasing the British foreign aid budget. This tells us something about the skepticism that exists towards foreign aid and the institutions that administer it. Thus we need to do a better job of communicating to the public about the effectiveness of our efforts to reduce poverty.

In summing up the first three speakers' presentations, Ms. Pratt agreed that we have many examples and lessons of success. One message that is loud and clear is that we need to do a better job at communicating. However, we also need more resources. The panelists were in agreement that the American public is in favor of the purposes of foreign aid, but do not have confidence in aid programs. This raises important questions for ACFVA, such as: What is the role of official development assistance? Is there a separate role for multilateral and bilateral institutions? Should PVOs/NGOs be doing more?

Discussion

ACVFA Member Charles MacCormack questioned the apparent inconsistency in the fact that Americans support foreign aid, including paying our debts to the U.N and providing funds for poverty reduction, yet that is not what our government is doing. Yet that is not what our government is doing. Dr. Ohlbaum responded the questions is whether members of Congress are more responsive to polls or to constituents who

care. Often, a small minority can do a lot to sway policy makers. She said that due to the efforts of Senator Sarbanes, the State of Maryland has consistently supported foreign aid.

ACVFA Member Brad Smith then asked whether foundations and NGOs that have constituencies for foreign aid would be better off seeking campaign finance reform or setting up a political action committee. Dr. Ohlbaum replied that the public education efforts of NGOs are making a difference. The business community is also picking up on this, which also makes a difference.

ACVFA Vice-Chair Carol Lancaster suggested we may be misunderstanding the politics of foreign aid. The public is passive except in cases of political and natural disaster. Foreign aid has traditionally been carried by a supportive administration and an uneasy coalition of conservatives with security interests and liberals with humanitarian interests, which has carried it through Congress. But this has changed and the development constituency is not large enough to carry policy. However, there may now be an opportunity to build a new constituency. Beyond that, continued Ms. Lancaster, is the question of purpose. There are demands out there we are not addressing. But there is a need to deal with the substantive and political implications of these, before we begin to talk about selling it.

The following points were raised during the discussion:

- Project reports seldom identify how the interests of the customers have been addressed or report what was completed and what worked.
- There is a need to determine which constituencies to target.
- There is a need to make better use of information technology.
- While there is no single “key”, there is a need for an integrated package and efforts targeting the highest levels.
- Communication needs to be a two-way street.
- There is a need for a genuine dialog to find out what customers want, as well as to communicate what we want to do.
- It is important to bring African-Americans into the dialogue.
- It is important to keep in mind what beneficiaries want.

Father Bryan J. Hehir

Father Hehir addressed the topic of the relationship between foreign aid and foreign policy. He said that the choice of the commencement speaker at Harvard was an indication of the changing policy priorities. The most famous commencement address in the history of the University was given in the late 1940's by George Marshall who personifies the relationship of foreign aid and foreign policy. This year, the commencement address was given by Alan Greenspan.

There is a linkage between foreign aid and foreign policy, but foreign aid cannot become foreign policy in and of itself. There are three main themes contained in this statement. The first theme pertains to the context in which we find ourselves today. There is no unified agreement on what are the current foreign policy challenges. One view of the world, that is relevant to foreign policy, is that there are two processes occurring simultaneously: fragmentation at the political level and integration at the economic level. George Marshall's world was constituted by an artificial unity that collapsed with the end of the Cold War. But how did we go from artificial unity to disaggregation?

Father Hehir described the countries of the world within three concentric circles. In the center circle are the major powers. This is surrounded by a second circle comprised of the advanced democracies - the OEC and the GATT countries. The outer circle is comprised of the more than 100 other not in the first two circles, including the world's poorest. The countries within the two inner circles will be taken care of for better or worse. But what then is the interrelationship between those countries in the two inner circles and the 100

other countries in the outer circle? Does anyone know? Another sense in which fragmentation is occurring is that countries are bursting apart internally. The challenge is to make sense of American interests in such a world.

The forces that are driving integration, on the other hand, are not concerned with foreign aid, although they understand globalization, nor are they concerned with the hungry countries. At the level of foreign policy interest, aid can be justified to help the countries in the two inner circles, but not those in the outer circle. At the level of human interest, aid can be justified to help those 100 countries. Or we could say that there is a value interest. How far do values and how far does interest figure into foreign policy? One argument contends that a foreign policy that divides interests and values does harm to both. Only in the case of the first circle, is it clear that interests and values come together.

Apart from the organizational issues, Father Hehir continued, we have to ask the question of how to make sense of a world with many conceptions of values and interests. Foreign policy must be conceptually clear about interest and centrally driven around values. Foreign policy is going to be different at the beginning of the next millennium than at the end of the 1940s. Foreign aid has to fit into the current context. Foreign aid also has to fit into the context of foreign policy. Globalization involves private actors interacting with state actors. There is a place for foreign aid in all this.

A final question is related to the role of globalization on poverty reduction and on international organizations? NGOs have become political actors in a way that we never conceived that they would. It is clear the market cannot do everything. We need to create coherent cooperation among states, NGOs, and the private sector. Foreign aid can fit into a market driven view of economic development. But foreign aid needs to be tied to three things:

1. Altruism to a greater extent than we think
2. Realism to take interests into consideration
3. Functionalism to be clear about the purpose of foreign aid.

Mr. Thomas Fox, Assistant Administrator, Bureau for Policy and Program Coordination, USAID

At the outset, Mr. Fox reminded the audience that USAID has no official position on the questions being discussed, but they are currently being addressed within the Agency. Before addressing the question related to the purpose of foreign aid in the 21st century, he turned to the prior questions: "What is U.S. policy towards developing countries?" and "Is there an adequate consensus on that question?" "If so, what is the role of foreign aid in that policy?"

Because there is little consensus, there is currently a policy vacuum that makes it difficult to articulate the role of foreign aid within the various foreign policy themes. We need a national consensus-building process to reach some closure on the large policy issues as well as on the role of foreign aid within that policy framework. Ambassador Johnstone told us to look first to customer, who is American citizen. But what do American citizens want? How would they want us to draft our strategic plan? Dr. Ohlbaum said that economic self-interest is driving our foreign policy. Dr. Dollar focused on poverty reduction, saying that it should be at the center of any foreign aid program. Father Hehir brought up the interaction of values, interests and policies. These are all challenges now facing USAID and other donors in designing foreign aid for the future.

ACVFA helped to shape the Agency's current strategic plan, which reads, "USAID contributes to the United States' interests by..." It does not give a sense of what are the United States' national interests. Nor does it articulate the roles of different customers, including U.S. taxpayers and the recipients of foreign assistance. Other broad policy questions related to purpose are: Do we serve developing countries or do we primarily serve ourselves? The answer does not need to be yes or no, but we have to understand the purposes served

by foreign aid. Some people are troubled by these multiple objectives. But this does not have to be problematic. We must be able to answer clearly how achieving development objectives serves the globe, which will in turn serve us? To achieve these goals does require a sustainable development (without using this term) and an integrated development paradigm, perhaps along with a different way of managing development.

What should foreign assistance look like in five years? We need to be mindful that the inter-relationship between integration and globalization poses new challenges. The new flows of technology, information, money, and ideas, have created opportunities but have also had negative effects on some people and on some countries. Foreign aid has a role in assisting those left behind.

While we will need to work with countries with good policies, at the same time, we need to find ways to influence those countries that are important to us so that they implement good policies. How can we harness the power of ideas and civil society and local government to achieve reforms? We will continue to need to work with a fairly large number of countries that are important for political reasons; the challenge will be in using relationships, with civil society and other actors, rather than money.

Another important question, relevant to USAID is: "Should USAID continue to maintain competence in all sectors, as it is doing now?" Also, "Given the prominence of global issues such as infectious diseases and global warming, should USAID be implementing fewer bilateral programs and more global programs?" "If so, how would that be organized?"

The Agency's competitive advantage is related to the relationships and experience that the Agency has cultivated and sharpened over the years. The Agency has played an important role in leveraging resources. It is good at working with other government agencies. An example is its recent efforts in Russia. Should USAID be doing more of that, rather than doing programming and implementation itself? Indeed, part of the Agency's strength lies in its presence overseas. When looking five years down the road, USAID needs to look at where it is essential and not essential to maintain a direct presence. The Agency also needs to be smarter about working with civil society organizations. There are other sources of expertise, such as private sources and foundations, and we need to be smarter about working with these, as well.

Finally, USAID must be clearer about accepting the relationship between foreign aid and foreign policy. There is no question that foreign aid is integral to achieving foreign policy objectives. We need to strive for greater policy coherence. For example we need to work towards reaching development goals, while mitigating the impact on the environment. We need a national consensus building process to resolve discordances, not only with respect to foreign aid, but also with respect to our policy towards developing countries. This process needs to involve Congress, the Executive Branch, government agencies, PVOs and others. This is our task, he concluded.

Discussion

Ambassador Johnstone raised disagreement with the distinction between values and with the geo-strategic paradigm described by Father Hehir. The paradigm shift is one of concentric circles involving issues rather than countries and values and interests must permeate all circles. The geo-strategic paradigm leaves one with an disenfranchised 100 countries. But if one looks at issues, he continued, all these issues, for example, crime, drugs, and others involve these countries. Addressing these issues is related to the national interest. Another area of disagreement with Father Hehir, is the characterization of globalization as contributing to the problem. Globalization contributes to the solution. The capital flows resulting from globalization are tremendous, and we need to figure out how to tap the energy of globalization for solutions to transnational problems.

Father Hehir responded that the three circles do not represent how it ought to be, but how it is. The shift from countries to issues has not fundamentally changed the structure. The world is still one of anarchy, hierarchy, and competitiveness. There is a qualitative shift in that our relationships with countries in the second circle is more functional than in the past, but still driven by foreign policy. We are open to choice with regard to how we are going to deal with the countries in the outer circle. Our relationship should be based on shared values and a vision of the broad self-interest of the international community.

ACFVA Member Peggy Curlin questioned why faith-based groups, which have a history of development work in other countries, are not more vocal in support of social justice and poverty reduction, which represent American values.

Father Hehir commented that there is a distinction between Sunday morning and the rest of the week, but religious groups are active internationally. The question is the extent of integration between the churches' proclamations and their international activities. But as to whether foreign aid should be privatized, the answer is no – NGOs should not be expected to fill the role of government. But given that NGOs are increasingly important, he asked, how does one mediate that?

ACVFA Member Charles MacCormack said that he would like to return to the question of values and interests. There are times when values and interests are in conflict. That may be one explanation about why the public can believe in foreign aid, but not support those who carry it out. All the public hears about are the failures and scandals. The American people support poverty reduction, but believe that foreign policy interests compromise it. Is it wise, then, to promote poverty reduction as a foreign policy goal? ACVFA Member William Fuller added that none of the speakers had mentioned leadership with respect to foreign aid. "What is the role of leadership?", he asked.

Dr. Ohlbaum replied that even if Congress and the American people agreed that poverty alleviation is good, the development community would then have to convince them that foreign aid actually does reduce poverty.

Mr. Fox commented that when talking about which countries to put money and resources into, there is often an imbalance between assessment of need, partnership characteristics, and foreign policy importance, which is perhaps part of the reason for the ambivalence. In response to the question about leadership, Mr. Fox said, there cannot be effective leadership until there is a national consensus, and if will take strong leadership to get to that point.

Dr. Dollar urged that the United States take the lead to influence the rest of the world on foreign aid. The world relies on us for a whole range of international issues. The United States has tremendous leverage over other donors in terms of policies pertaining to multilateral issues, but the lack of interest in Congress is having a negative effect. Ambassador Johnstone reiterated that he had never found a case in which values and interest were at odds. It is rather always a case of short-term interests and long-term interests being at odds.

The function of values and norms, added Father Hehir, is to discipline interests. Thus they should sometimes be in conflict. "The present Congress, is the most deficient one on foreign policy in my lifetime", he concluded.

Plenary Session: Recommendations from Break-Out Groups

Group One: "What should foreign assistance be focusing on five years from now?"

Moderator: Ambassador Craig Johnstone

Rapporteur: ACVFA Member William Fuller

The group began "How is the world changing and how will these changes affect foreign aid priorities?" discussing changes in the areas of communication, technology, and other sectors affecting foreign policy and foreign aid. The economic and business sectors are playing roles as integrating factors and are beginning to influence foreign aid. The group also discussed how transnational problems and instability interrupt development.

In considering what the foreign aid agenda should look like five years from now, the group suggested the following criteria for the development community:

1. Look at what has worked for USAID, for NGOs, and for multilateral assistance?
2. Build on the U.S. government's comparative advantage – the rule of law, democracy and business.
3. Define our values and our interests, and realize that both are important.
4. Have clear goals and objectives.
5. Listen to customers.

Additional topics included: The importance of communication, and of using different language to describe our work, with American citizens and policy-makers and recipients; the fact that the United States is less trusted by its partners and government in general less trusted by citizens;

The issues that foreign assistance should be looking at in five years include the following:

1. Democracy, the rule of law, and transparency ("good governance")
2. The intersection of business and development
3. Poverty alleviation
4. Crime, health, the environment, and education
5. The role of NGOs in conflict prevention and resolution in strife-torn societies.

Group Two: "How should foreign assistance relate to other U.S. policies abroad?"

Moderator: Dr. Diana Ohlbaum

Rapporteur: Mr. Chris Dunford

This group agreed on the need for a vision and a clarity of purpose for foreign aid before talking about the foreign assistance budget. They distinguished between foreign policy goals and foreign policy tools. Some of the goals of foreign policy include: defense, security, trade, humanitarian assistance, and development. Most of the people in this room today are interested in development assistance. Obtaining agreement on the tools of foreign policy is easier in some ways than consensus on what the foreign policy is.

The group discussed the fact that promoting business and economic self-interests seems to be the predominant goal of U.S. foreign policy today, and asked whether development and poverty reduction could simultaneously be goals of U.S. foreign policy? Since development assistance is generally provided to the poorest countries that are not of interest to business people, there is a disjuncture between these two goals.

The issue of the public was also discussed with regard to foreign policy, the public is generally passive. Foreign policy continues to be primarily the concern of elites. There is general consensus on the part of these foreign policy elites about European integration. But what about the 100 "outer circle" countries? Since the public is disinterested, U.S. foreign policy is de facto determined by the interests of elites, which is in providing assistance to those countries in the two "inner circles". Since it is in U.S. business interest to sell arms, this is another source of the disconnect between goals.

Group Three: "How should foreign assistance accomplish its goals?"

Moderator: Mr. Tom Fox

Rapporteur: ACVFA Member David Brown

The group identified four major issues focused mainly on USAID:

1. Who carries out foreign assistance, e.g. governments, international NGOs, or others, will determine how the question about how the goals to be accomplished will be answered. The group also discussed how different types of organizations can and already do work collaboratively.
2. Who carries out foreign assistance must be tailored to the situation. This is related to the notion of good government policies versus bad government policies. In some countries it be will governments, in others it will be NGOs.
3. Another issue is related to the modality of foreign assistance - carrots, sticks, or sermons. Traditionally foreign assistance has been about carrots, but but sticks and sermons may become more common in the future.
4. The final issue is related to decentralization and centralization. The current arrangement between these two within USAID inefficient. Related to this is how to improve foreign assistance to countries in which USAID no longer has a presence.

Other issues discussed by the group included: the challenges presented by economic integration and political disintegration; the growing gap between extreme wealth and extreme poverty; the role of leadership in determining how foreign assistance should accomplish its goals; whether foreign aid should focus on short-term or long-term goals; and whether the focus should be on project, program, or problem.

USAID should be insisting on partnerships - between local government and local businesses and local NGOs. The problems to be solved are tough ones that are going to require a long-term approach that operates outside of the assistance framework. This is the preferred direction and it would use an entire array of instruments to achieve its goal. As USAID continues to shrink its presence abroad it needs its partners more than ever. USAID should hold quarterly meetings with its NGO partners working in non presence countries. More than ever USAID should reach out to its partners to inform its decision-making processes.

Group Four: "How should U.S. foreign aid relate to multilateral and other bilateral assistance?"

Moderator: Dr. David Dollar

Rapporteur: ACVFA Member Peggy Curlin

The group agreed that donor coordination a good thing, although very difficult. Three areas were identified by the group as critical to donor coordination: constraints to coordination, recommendations for improving coordination, and examples of ongoing coordination. The group generated the following lists pertaining to constraints and recommendations.

Constraints:

1. Philosophical differences between donors, e.g., focusing on where dollars go versus the results of dollars.
3. Political differences between donors.
4. Legal barriers.
5. The control factor - does the U.S. government have less control if its funds are mingled with those of others.
6. Different systems - for example, the World Bank does not have flexibility with grant making and USAID does not have loan capacity. (This does not have to be a constraint, since although no donor has all tools, multiple donors can cover all phases of the development process.)
7. The issue of fungibility.
8. Different donors have different ethical and business standards.

Recommendations:

1. Donors should consider geographic divisions within sectors.

2. Encourage governments to ask questions and carry out more evaluation themselves.
3. Set universal standards, so that one donor can accept another donor's audit.
4. Donors should learn more about what each other does.
5. Multi donor funded projects are difficult to coordinate, with the result that both governments and NGOs prefer that donors do not coordinate. As a result, governments and NGOs become limiting factors themselves. This needs to be addressed.

Group Five: "How much influence should NGOs, foundations, academic institutions, governments, and others have in determining foreign aid purposes and programs?"

Moderator: Father Bryan Hehir

Rapporteur: ACVFA Member Brad Smith

Father Hehir had blessed their group with a 15 minute overview of the history of foreign aid, which greatly helped to put their discussion into context. In the 1970's, foreign aid meant sending funds from the global North to the global South. In the 1980's, bank lending became an important part of foreign assistance. In the 1990's, capital markets predominate, and private investments dwarf aid flows.

The group also discussed the fact that, although governments still count, NGOs have risen in prominence and are demanding a "place at the table". But NGOs must think more about the skills they need to play that role, and see themselves as "public resources". NGOs also need to think more about what foreign aid has accomplished to date. The group concluded that NGOs cannot do what governmental foreign aid can do, rather it is a complementary process. The new foreign aid configuration contains a permanent role for states a changed, larger role for international institutions and new roles of NGOS.

The following recommendations were proposed by the group:

1. The list of those involved in influencing foreign policy needs to include not only academic institutions, NGOs, foundations, and governments, but also others, including the private sector, states and local governments.
2. NGOs need to give serious consideration to about involving themselves at the local level, for example by participating in town meetings. They should try to influence Congress not only directly, as is the current practice, but indirectly by reaching outside D.C. to try to influence local constituencies.
3. Also missing from the discussion are the recipients themselves. We give a great deal of lip service to bottom up approaches and we need to ensure that this occurs. We also need to consider the "voiceless constituencies", such as "future generations", children, the environment,. It is the role of NGOs and scientific institutions to ensure that these needs are understood and that these voices are heard in more active ways through processes here.
4. There is a need for clarification about the restrictions on NGOs in terms of lobbying, and what organizations that are receiving U.S. government funds can and cannot do.
5. USAID and other organizations should think much more creatively about different types of fellowship programs to allow for exchanges between institutions - we need to understand each other better.

Two additional observations were made by the group. The first was that many of the partnerships that are being talked about already exist, but that there is a need to learn more about how they are reshaping foreign aid. The second is that it is important to remember that the NGO community is extremely diverse, and that the term "the NGO community" should therefore be used self-consciously.

Plenary Panel: ACVFA Working Paper "USAID and Civil Society: Toward a Policy Framework"

Moderator: Dr. Lester Salamon, Chair, ACVFA Civil Society Subcommittee

Panelists: Ms. Elise Smith, ACVFA; Mr. William Fuller, ACVFA; Dr. Cherri Waters, Vice President, InterAction; Ms. Tinatin Khidasheli, Georgian Young Lawyers Association.

Dr. Salamon began with a brief summary of the ACVFA Working Paper authored by the Civil Society Subcommittee. The report contains the following five main points:

1. Civil society organizations have a partly voluntary component. Civil society is part and parcel of all USAID objectives. Not only Democracy and Governance objectives, but all USAID objectives, are tied up with civil society organizations. In fact, civil society is so crucial to the mission of USAID, that it ought to become a strategic objective in its own right.
2. The civil society sector remains a "fragile plant" in many places around the world. In many countries, civil society organizations are lacking technical, material and other resources.
3. USAID has generally been a friend to civil society, but the Agency's approach has been fragmented and diffuse, and has therefore not taken advantage of opportunities to strengthen civil society.
4. There is a need for a worldwide change in approach on four levels:
 - A. At the policy level there is a need for an objective with results indicators.
 - B. At the programmatic level there is a need for commitment to take on civil society within each sector.
 - C. At the procedural level there is a need to ensure that USAID operational decisions support civil society organizations, for example, by employing grants and cooperative agreements, rather than contracts. The Agency should also experiment with third party arrangements and should strengthen channels for input by civil society organizations, such as ACVFA.
 - D. There is a need for organizational change within the Agency, to generate more and better information, to distill the lessons learned, and to identify an institutional focus to "look after civil society".
5. The preceding recommendations have implications for both USAID and for U.S. PVOs. U.S. PVOs need to shift their focus from an implementing role to an enabling role, especially in terms of building the capacity of indigenous NGOs.

Mr. William Fuller emphasized the importance of ACVFA Working Paper and the need for USAID to develop a Policy Paper on civil society development. The civil society sector is seen as critical for sustainable development, he said, and the Subcommittee does not have the feeling that the Agency as a whole is investing in it. There are three principal consequences stemming from not having an explicit policy, which are:

1. There is inconsistency throughout the Agency in how civil society is defined and the ways in which it is supported.
2. There is a lack of comprehensiveness in the Agency's approaches. By not conceiving of civil society as a sector, USAID may be overlooking opportunities
3. There is a lack of quality control, e.g. no criteria exists for exit strategies.

Mr. Fuller proposed that if USAID were to have an explicit policy for civil society, the sector would become an important part of strategic planning. But there is an implicit assumption within the U.S. government, as well as and other governments, that civil society organizations are not central actors, that they are somehow marginal. Mr. Fuller gave the examples of the Grameen Bank in Bangladesh and an Indonesian organization that reach over 80% of the populations of those countries. Eighty percent of the population is not marginal, he added.

Today's discussions have highlighted that fact that there are many issues that civil society organizations can address more effectively than governments, for example, democratization and conflict resolution, among others. If any lessons have been learned in the last ten years, concluded Mr. Fuller, it is that there has never been a better opportunity for cooperation between governments, civil society organizations, and the private sector, than at this time.

Megies.

Mr. Fuller proposed that if USAID were to have an explicit policy for civil society, the sector would become an important part of strategic planning. But there is an implicit assumption within the U.S. government, as well as and other governments, that civil society organizations are not central actors, that they are somehow marginal. Mr. Fuller gave the examples of the Grameen Bank in Bangladesh and an Indonesian organization that reach over 80% of the populations of those countries. Eighty percent opportunities for USAID to work with them, since every country has a follow-up plan from Beijing that is in line with many of the Agency's goals.

Ms. Smith said that there are a number of recommendations can be made that would facilitate the interaction between civil society organizations and the Agency, for example the funding process needs to be simplified. USAID also needs to recognize that NGOs are increasingly forming regional networks. These groups need to be supported, but Agency needs to address its own the institutional constraints that prevent it from doing so. Women's NGOs and others need and want specific types of training. In particular, they want training related to institutional capacity-building.

U.S. PVOs acknowledge that it is time for us to change our role away from implementation and towards facilitation. We recognize that the ownership and the power needs to be in the hands of indigenous NGOs. But it is also time that USAID undergo a transformation.

Dr. Cherri Waters commented on the policy framework from the perspective of U.S. PVOs. She stated that most U.S. PVOs would agree with the premises of the document. The most important issue for U.S. PVOs is that of promoting a new relationship between local NGOs and U.S. PVOs. We are all in agreement that it is time for a new division of labor. But we need to move from talk to action. USAID must sustain the momentum by providing the necessary resources to make it possible for groups to assume these new roles.

Another important issue relates to ongoing mechanisms for southern input in the dialogue. USAID needs to improve its capacity to listen to and to learn from southern NGOs at all levels of its work. The Agency should provide opportunities for structured dialogue between USAID staff and other stakeholders, both to address operational issues, and to carry out research and disseminate the results, at the regional level, documenting what NGOs are saying and doing.

Finally, the we need to talk not only about strengthening civil society organizations, but also about protecting them. Two recent examples that highlight this are Egypt and Uganda. In Egypt there has been a recent move by the government to severely restrict civil society organizations. In Uganda, the police broke-up a recent NGO forum. USAID could help respond to these incidents and could engage the national foreign policy apparatus in responding.

Ms. Tinatin Khidasheli said that she would concentrate on examples from Georgia, although these examples can be applied to most of former Soviet Union. "What are expectations of the newly independent nations?", she asked. For Georgians, expectations were not about the carrots - the money - rather, they were first and foremost for new ideas, different standards and different structures. Next there were expectations for expertise and advice. Only last were there expectations for support .

Georgia has had more advantages than other NIS countries, due to the presence of the U.S. embassy and other U.S. agencies, including USAID. This is because the population has known that the U.S. government would put a lot of pressure on the Georgian government, should there be violations of human rights, or other anti democracy actions. But this is changing as priorities are changing. International donor agencies are bringing projects that worked in other circumstances, although not necessarily in Georgia.

The first problem was the increase in the number of artificial NGOs. An example of these are the human rights NGOs. In Georgia most of these NGOs sprung up as a result of a UNDP project to strengthen human

rights NGOs. Another problem pertains to the goals of the foreign aid agencies. In Georgia there are half a million internally displaced persons. Yet what are the goals of the aid agencies? To get them housed before the winter or to reintegrate them into their communities. Most of the aid agencies are focused on short-term goals, rather than long-term goals. An example of this is the corn oil brought in by U.S. government that destroyed the small corn oil business in Eastern Georgia. What the people wanted were loans or grants to develop their businesses and produce more corn oil. But the Georgian government wanted the corn oil, because they wanted to sell it.

Ms. Khidasheli made the following recommendations:

1. The most important one is that the Agency send researchers to the field where projects will be launched to study carefully to determine whether or not the project should be launched. The objectives need to be longer-term.
2. USAID needs to establish criteria for beneficiaries, such as age of the organization. In the Baltic region, one can not talk about development without giving priority to democratic institution-building - not just for governments, but also NGOs. There is no concept of citizenship in the NIS. People have short-term goals - they want money today - and will thus not miss any opportunity to obtain it. Money cannot bring democratization, so if the Agency wants democratization it needs to rethink its approach.
3. USAID needs to fund local NGOs directly, rather than working through U.S. PVOs. There are plenty of experienced local NGOs. It is time that they be trusted. In addition, USAID should not give all of its money to one organization. Every new expatriate coming into the country hears about a single NGO. The Agency needs to diversify its funding and to give money to small groups and to grassroots organizations.
4. Finally, the Agency needs to fund training for the broad population in remote areas, not about democratization, but about the new opportunities and the requirements of the new markets.

Discussion

The following points were raised in discussion:

- To what extent is funding NGOs an intrusion in that country's internal affairs and whether funding NGOs is justified in situations in which governments are undemocratic.
- Whether governments should have veto power over USAID funding for NGOs in their country, and the fact that there is a difference between U.S. government funding for NGOs and foundation funding for NGOs.
- USAID can engage in government to government conversations and is well placed to comment on a government's policies.
- USAID needs a strategy that will make gender an objective of all of the Agency's work. The role of the Office for Women in Development is to provide support to USAID missions.
- USAID needs not only a strategy for civil society, but also an office, since in bureaucracies, issues that "are everybody's concern are nobody's responsibility".
- USAID is not good at administer many small grants and to provide the necessary technical assistance, therefore, indirect funding remains the most effective way for the Agency to support local NGOs.
- Although some bureaus, such as ENI, are already supporting of civil society in the context of democracy and governance activities. But civil society also needs to be supported in the context of other activities, such as poverty alleviation.
- There is a need for greater integration of work done at the local level with work done at the national level.

Dr. Salamon concluded the discussion by informing the audience about the next steps to be taken by the ACVFA Working Group. The Working Group plans to pursue this through the Agency and the strategic planning process. The Working Group is working with USAID's Bureau for ENI to review and spell out suggestions on the Index to track civil society. They are also thinking of ways that this can be linked to the

results package. The Working Group will also track USAID's adoption of the recommended programmatic and procedural changes.

Report from ACVFA Strategic Planning Working Group, Ted Weihe, Chair

The purpose of the working group is to assist USAID in revising its Strategic Plan. The process will take place between now and the end of December. The Agency has a number of concerns that it hopes the Working Group will address.

1. The first is related to a number of weaknesses in the strategic planning process. For example, the Plan does not talk about the context in which USAID operates. It does not explain how the allocation of resources is carried out. And it does not explain the relationship between foreign aid and foreign policy. A paper covering this topic will become available in August.

2. A second issue of concern to the Agency is related to cross-cutting issues. There is a desire to limit the number of cross-cutting issues that the Agency addresses.

A paper covering this issue will also be ready in August. These issues will be discussed at the September ACVFA meeting; followed by a virtual conference for wider participation.

3. A third issue pertains to the achievement of goals. There is interest in looking at the lofty goals of "what we do" and wording them differently. There is a need to look at what are the goals and what do the missions say they have accomplished.

4. A fourth issue relates to context, such as graduation, resource constraints, among others. There is recommendation to focus on cross-cutting issues, such as civil society, gender, and institution building.

Mr. Weihe pointed out that the strategic planning process is a USAID process, which means there are other stakeholders, such as Congress.

Report from ACVFA Gender Working Group, Elise Smith, Chair

Elise Smith informed the audience that the Working Group on Gender has moved ahead to sponsor an assessment of the progress being made in implementing the Agency's Gender Plan of Action. The study will be carried out by Ambassador Sandy Vogelgesorg, who is knowledgeable about the workings of USAID and the Department of State. She will be interviewing PVOs and NGOs in D.C. and in the field. She will present any preliminary findings at the next quarterly meeting. In March of 2000, the U.N. special session "Beijing + 5" will take place. It is hoped that the final document will be ready by then for use both inside and outside the Agency in connection with this event. Ms. Smith invited the audience to contact PVC Acting Director Adele Liskov if they are interested in learning more about this activity.

Adjournment

ACVFA Chair William Reese closed the meeting by saying ACVFA is a true team effort. ACVFA is addressing the brand new issue of USAID's strategic planning process, which the Agency brought to ACVFA. ACVFA is also following through with an issue raised by an older ACVFA, that of gender, at the behest of USAID Administrator Brian Atwood. Mr. Reese thanked the members of the audience for having stayed until the end of the meeting, reminding them that there may well be a new Administrator by the next meeting.